



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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February 28, 2001

HAND DELIVERED

Mr. Jay Gatten
North American Exploration, Inc.
472 North Main Street
Kaysville, Utah 84037-1173

Re: Permit Amendment Review Status, Basin Perlite Company, Pearl Queen Milford Millsite, S/001/048 & M/001/027, Beaver County, Utah

Dear Mr. Gatten,

This letter is a follow-up to our February 2, 2001 telephone discussion, wherein we discussed the possibility that our preliminary determination, on a regulatory exemption for the Milford Perlite millsite, may have been premature. First, let me say that I apologize for any confusion and difficulty that our discussion on millsite permitting may have caused you and Basin Perlite Company. Second, following subsequent consideration, it continues to be the Division's position that the millsite must be permitted.

The Division is, as before, willing to permit the mill as part of the Pearl Queen mining and reclamation plan. We will process this mill revision application as a separate permitting action from the review of the pending mine permit revision to the Pearl Queen mining and reclamation plan, unless you request differently.

The Division had earlier asked that a transitional reclamation surety be provided to ensure sufficient reclamation funds are in place for the proposed millsite project expansion. These reclamation funds will enable you to continue to operate at the millsite while the permit amendment is being processed. The millsite amendment application included a draft projected reclamation cost estimate of \$191,797 dollars. This cost estimate is acceptable to the Division until we complete our review of the amendment application. Once the latest large mine permit revision is determined technically complete, we will ask that the total bond amount for both mine and millsite be combined as one instrument to simplify the bonding requirements of both sites.

Copies of our transitional reclamation contract and surety bond forms are enclosed for your use. *Please complete these forms and return them in draft form for our review, before they are finalized.*

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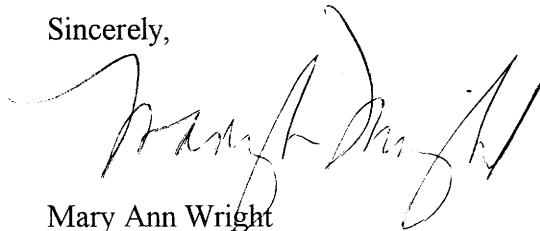
Jay Gatten

S/001/048 & M/001/027

February 28, 2001

Again, I am sorry for any delay or confusion that this decision may cause you and Basin Perlite Company. Please contact me or Wayne Hedberg of my staff, if you have questions regarding our decision or with the transitional bonding requirements. We anticipate sending our formal review comments on this amendment within the next couple of weeks.

Sincerely,

A handwritten signature in dark ink, appearing to read "Mary Ann Wright", is written over the typed name.

Mary Ann Wright

Associate Director of Mining

801-538-5306

jb

Enclosure: reclamation contract & transitional bond forms

cc: W. R. Wilson, Basin Perlite Co.

Wayne Hedberg, OGM

Tom Munson, OGM

M01-27-mill-amd